

INDIAN ECONOMY AND TRENDS

January 2013

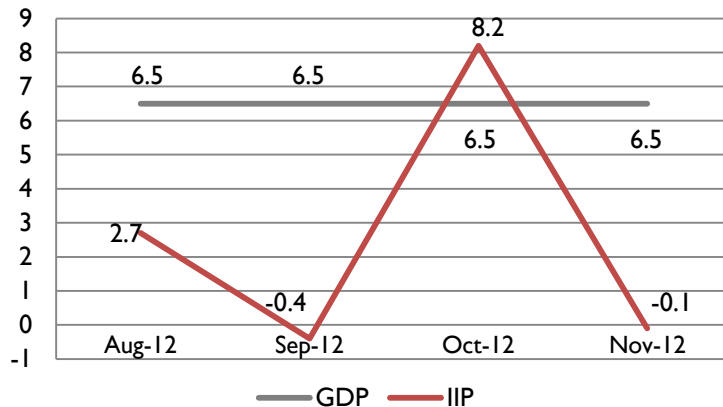
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Macroeconomic Snapshot ... (1/5)

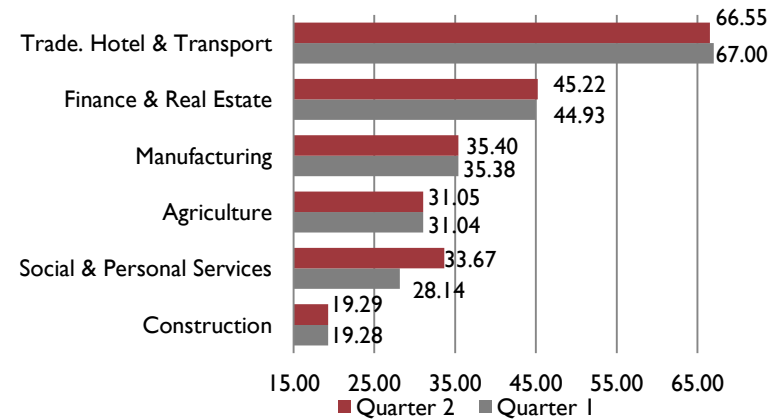
- For financial year 2012-13 the government’s projection for growth is 5.7-5.9 per cent
- Moody’s says India’s sovereign rating outlook “stable”. Expects India’s GDP to grow at 6 per cent in 2013-14
- India targets 8 per cent average growth rate over a period of five years (2012-17)
- India’s Foreign exchange reserves increased by US\$ 39.6 million to touch US\$ 296.57 billion for the week ended December 28, 2012

IIP: Monthly Growth Rate (per cent)



Source: Ministry of Finance

GDP: 1st and 2nd Quarter 2012 -13 (US\$ Billion)

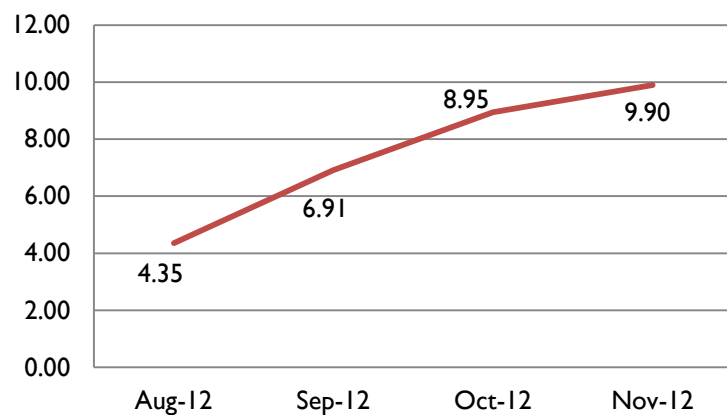


Source: Reserve Bank of India (RBI)

Macroeconomic Snapshot ... (2/5)

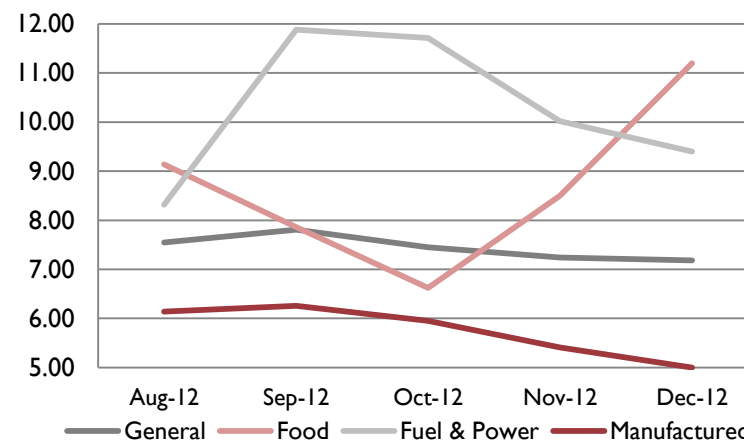
- Inflation has been showing signs of abating in the last few months
- October inflation was lowest in 8 months. December Inflation at 7.18 per cent was a three year low
- Government moving towards a direct subsidy transfer mechanism to cut expenditure and directly reach the poor

Government Expenditure in US\$ Billion



Source: Ministry of Finance

Inflation: Price Index (per cent)

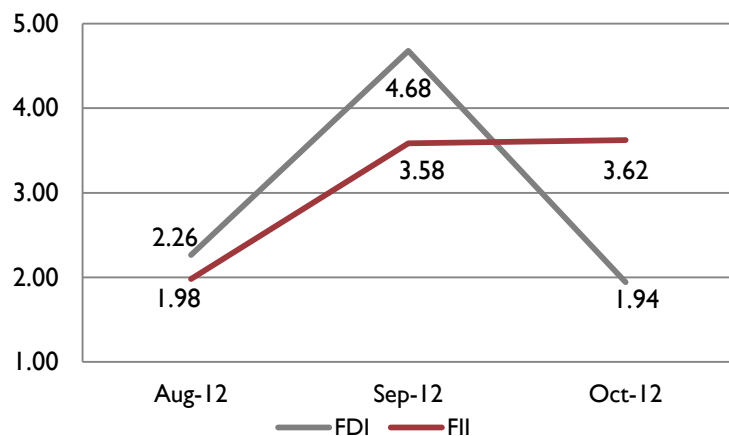


Source: Ministry of Finance

Macroeconomic Snapshot ... (3/5)

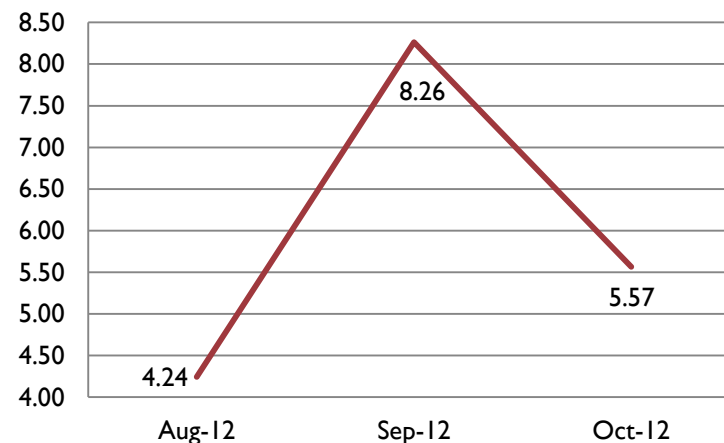
- FII Inflows for 2012 were at US\$ 22 billion, the second highest since 1993
- Indian stocks are the top selection among BRIC nations in 2013 for JP Morgan Chase & Co

Foreign Investment: FII & FDI (US\$ Billion)



Source: SEBI and DIPP

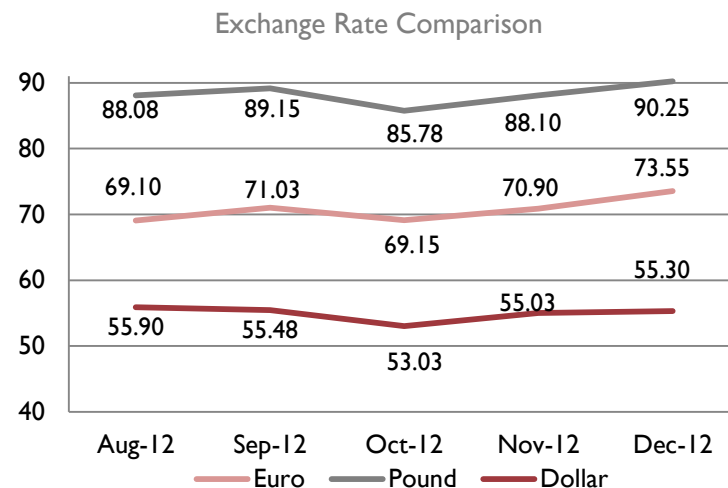
Total Foreign Investment Flow (US\$ Billion)



Source: SEBI and DIPP

Macroeconomic Snapshot ... (4/5)

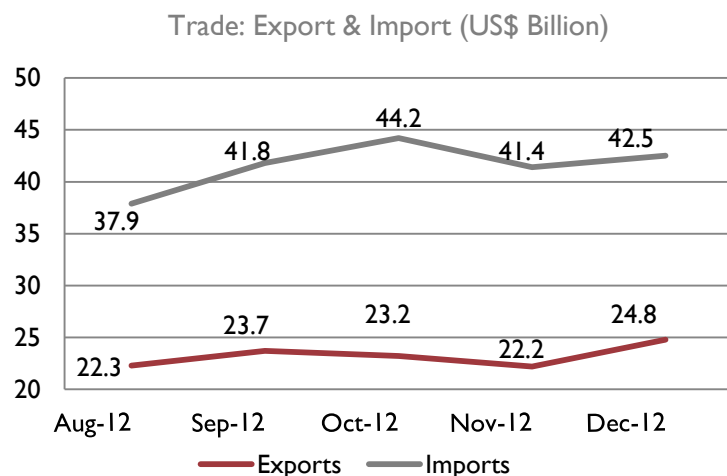
- The exchange rate has remained more or less stable from August to December 2012
- The HSBC Markit India Manufacturing PMI for December 2012 rose to 54.7 from 53.7 in November 2012. This was the highest rise in six months



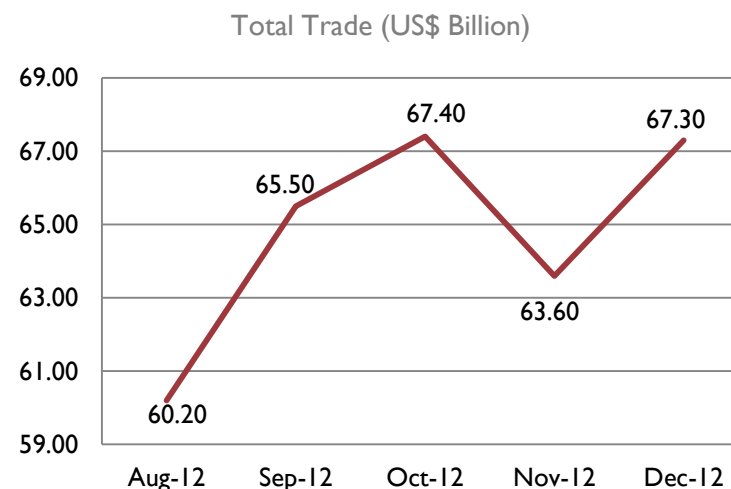
Source: CBEC

Macroeconomic Snapshot ... (5/5)

- India's exports have fluctuated, but maintained a more-or-less steady level. Indian exporters have looked at new markets in Asia and Africa to overcome the slowdown in traditional markets
- Government has provided sops to boost exports like bringing more markets for benefits under the focus market scheme



Source: Ministry of Finance and CSO



Source: Ministry of Finance and CSO

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Growth Enablers: Policy Thrust ... (1/4)

Parliament Moves Reforms Forward

- The Winter Session of Indian Parliament has passed 17 pieces of legislation. Critical decisions include:
 - Nod for FDI in multi brand retail
 - Passage of Banking Laws (Amendment) Bill 2011 which permits voting rights in proportion to shareholding and strengthens the supervisory and regulatory powers of the Reserve Bank of India
 - The Prevention of Money-Laundering (Amendment) Bill, 2011, passed. Links Indian laws to laws in other countries and enlarges the definition of money-laundering and removes the existing limit on fines for money laundering
 - Lok Sabha passes Companies Bill, 2011 paving the way for a new company law
 - Besides making independent directors more accountable and improving corporate governance practices, the Bill seeks to make corporate social responsibility mandatory for certain companies
 - The Bill will have to be passed by the Rajya Sabha (The Upper House) before it becomes a law

Growth Enablers: Policy Thrust ... (2/4)

Government Moves on Reforms

- Cabinet Committee on Investment set up to fast-track infrastructure projects worth over Rs 1,000 crore
- Prime Minister to chair Committee of Ministers of all infrastructure-related ministries to give timelines for projects. This will help speed up over 90 projects
- Union Cabinet clears Land Acquisition Bill, which provides for higher compensation while removing the clause requiring consent of land losers for government projects. For private projects 80 per cent of land losers need to provide a consent, while for public-private-partnership projects, the consent of 70 per cent land losers will be required

Securities & Exchange Board of India (SEBI) Tightens Norms

- Strict oversight mechanism for brokers and other market intermediaries mooted to cover risks posed by their business activities on investors & market
- Stops mini futures and options based on indices to protect small investors
- Looks to boost corporate bond market to bring liquidity in the secondary market

Growth Enablers: Policy Thrust ... (3/4)

External Commercial Borrowings (ECB) Norms

- The Reserve Bank of India (RBI) has relaxed ECB norms for infrastructure finance companies, allowing them to avail overseas borrowings up to 75 per cent of their net worth without its approval, an increase from 50 per cent earlier
- Also reduced the hedging requirement for currency risk from 100 per cent of their exposure to 75 per cent
- In the first nine months of 2012, Indian firms raised around \$ 28 billion via ECBs. They raised around \$ 1.34 billion through ECB and foreign currency convertible bonds (FCCB) in November 2012 alone to fund modernisation, foreign acquisitions, imports of capital goods and onward lending

Government bats for tough reforms

- Raises rail fares marginally to bridge deficit
- Starts direct cash transfers to benefit poor families in 20 districts for seven government sponsored schemes
- Seeks phased reduction of energy subsidies
- Working on early implementation of goods and service tax

Growth Enablers: Policy Thrust ... (4/4)

Science Policy Unveiled

- Prime Minister Dr Manmohan Singh launches Science, Technology and Innovation Policy (STI) 2013 with emphasis on innovation, setting up research institutes and encouraging women scientists with an aspiration to place India among the top five scientific powers in the world by 2020
- The government endeavours to create a policy environment for enhanced private sector collaboration in research and innovation and to form international alliances
- Policy targets increase in gross expenditure in R&D to 2 per cent of Gross Domestic Product from the current 1 per cent in this decade by supporting increased private sector participation

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Growth Enablers: Investment

Indian & Foreign Companies Line up Plans

- Auto majors plan Rs 12,000 crore (approximately over US\$ 2 billion) capacity expansion in 2013. Focus is on developing new products and diesel engine manufacturing facilities
- Mahindra, Tata Motors & Maruti Suzuki to focus on new product launches
- Honda Cars & Hyundai Motors plan investments of Rs 3,200 crore and Rs 1,650 crore respectively in diesel engine manufacturing
- Swedish truck major Scania plans to roll out completely knocked down truck facility in Bengaluru
- GlaxoSmithKline Plc to invest US\$ 940 million in Indian arm – GSK Consumer Healthcare – and increase its stake in the Indian subsidiary
- Tata-Hitachi Construction Machinery Company Limited to use its West Bengal facility as export hub and build township for employees
- British clothing brand Superdry to make India its first business destination among BRIC markets
- Ambuja Cement plans US\$ 365 million investment in Rajasthan

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Growth Enablers: Research & Development (R&D)

R&D Centres in India

- Euro 42 billion French glass manufacturer, Saint-Gobain is setting up its seventh global research & development centre in Chennai. To generate 200 high-end jobs
- Government has approved 54 cities for developing as “Solar Cities”. Draft master plans have been prepared for 28 cities, out of which 8 master plans have been approved. These include Agra, Moradabad, Thane & Kalyan - Dombivli, Indore, Kohima, Aizawl and Chandigarh
- The 103-year-old Bengaluru-based Indian Institute of Science (IISc) has improved its ranking phenomenally in the Global Employability List 2012. The research institution, which first made it to the list in 2011, has moved up the list from 134 to 35 in 2012

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Growth Enablers: Manufacturing

Manufacturing Remains Key to Growth

- India to be second largest economy after China in manufacturing in next five years, followed by Brazil. “The competitiveness of each nation’s manufacturing innovation ecosystem will continue to be a focus area for policymakers, business leaders and much of society”*
- India is set to emerge as the manufacturing hub for consumer durables maker Haier’s exports to the neighbouring markets and African region. The \$ 20-billion Chinese company, intends to produce almost all its models across categories in India, including air-conditioning machines and water heaters
- Delhi to establish large multi-level manufacturing hub for non-polluting manufacturing sector. Plans high end incubation centre for high-technology and knowledge based industries
- Parker Hannifin India, a part of the US\$ 13 billion Parker Hannifin Corporation of the US, has set up a Rs 100-crore factory near Chennai to manufacture components for a wide range of industries including automotive segment, telecom, oil and gas, mining and primary metals sector

*2013 Global Manufacturing Competitiveness Index report of Deloitte Touche Tohmatsu

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Growth Enablers: IPR & Innovation

Patents & Innovation for E-Health

- Hyderabad-based, Suven Life Sciences has been granted three product patents, two from Eurasia and one from Canada for the treatment of disorders associated with Neurodegenerative diseases. These patents are valid through 2027. Suven has a patent profile of 18 inventions, 541 product patents and 36 process patents
- Council of Scientific & Industrial Research (CSIR) and Hewlett-Packard (HP) have launched a cloud-enabled e-Health centre to bring diagnostic services to the doorsteps of people living in remote areas
- Glenmark Pharmaceuticals Chairman & Managing Director, Glenn Saldanha conferred Swiss Ambassador's award for "exceptional innovation"

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Growth Enablers: Consumer Markets

Targetting Youth

- Specialist coffee shop chains, which target the out-of-home consumption of urban youth in India, to double to 4,000 in numbers by 2015: Rabobank
- Italian fashion house, Gucci, plans large investments in India. To open boutiques & refurbish existing stores to expand presence and tap the “good opportunity” in India

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Growth Enablers: Inclusive Growth

Overall Development

- Private Sector company, GMT is setting up rural business process outsourcing units in Kakinada in rural Andhra Pradesh to provide employment to rural youth in the region
- Bihar & Chhattisgarh likely to have the highest average growth rate during 2012-17: National Development Council. Bihar & Chhattisgarh likely to grow at 9.1 per cent. Uttarakhand, Maharashtra and Madhya Pradesh are expected to grow at 9 per cent, 8.9 per cent & 8.8 per cent, respectively
- Bihar has the best average growth figure for the five year period ended March 31, 2012 at 21.9 per cent

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States of India

Moving India Forward

- Andhra Pradesh is developing Madhurawada along the north east of Vizag as an important IT hub in the state. The district is also being developed as an important destination for sports, education and business
- Vibrant Gujarat show in Ahmedabad moots the idea of “Made in Gujarat-India” brand. MoUs between state and companies focus on building affordable housing
- Global Investors Summit in Madhya Pradesh leads to MoUs worth around US\$ 5 billion in sectors like integrated steel, food processing, urea production, hospitals and auto components

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Outlook: Looking Ahead

Balanced Growth

- Manufacturing will remain key in tapping the demographic dividend for India. Governments at central and state level will continue to boost manufacturing centres
- Companies are recognising the need for innovation and R&D. The new innovation and science policy of the government will help drive greater private sector investment and focus on research and innovation
- Targetted subsidy regime to cut wasteful government expenditure and help improve the standard of living for the poor
- Reforms to remain on fast track to achieve the targetted average 8 per cent growth over the next five years

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